

**STATEMENT OF
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BEFORE THE
HOUSE VETERANS AFFAIRS SUBCOMMITTEE ON DISABILITY
ASSISTANCE AND MEMORIAL AFFAIRS**

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Mr. Chairman and members of the Subcommittee, it is my pleasure to be here today to discuss the Disability Compensation Program and our efforts to meet the needs of service members and veterans of Operations Iraqi and Enduring Freedom. I am pleased to be accompanied by Mr. Michael Walcoff, VBA's Associate Deputy Under Secretary for Field Operations.

The Veterans Benefits Administration (VBA) is responsible for administering a wide range of benefits and services for veterans, their families, and their survivors. We manage a life insurance program that consistently ranks among the best in the nation. We promote home ownership through the loan guaranty program and help veterans and their dependents seek greater education and economic opportunities through the highly successful Montgomery GI Bill program and other educational programs. We assist low-income disabled and elderly wartime veterans and their survivors through our pension programs. For qualifying veterans with disabilities related to their military service, our Vocational Rehabilitation and Employment Program provides both rehabilitation and training and assists them in reentering the civilian work force. We are proud of our achievements in all these vital areas.

At the heart of our mission is the Disability Compensation Program, which provides monthly benefits to veterans who are disabled as a result of injuries or illness incurred or aggravated during their military service. Over 2.7 million veterans of all periods of service currently receive VA compensation benefits. Last year, we provided veterans with decisions on over 774,000 disability claims.

We also performed more than 1.3 million other award actions and benefits adjustments of all types (e.g., dependency adjustments, death pension awards, income adjustments, burial awards, etc.) to maintain the accounts of the beneficiaries already on the rolls. Additionally, we handled over 6.6 million phone calls; conducted over a million interviews; briefed more than 390,000 service persons; and conducted nearly 65,000 hours of outreach to military members, former prisoners of war, homeless, minorities, women, and other targeted groups.

Today I will discuss the challenges we face in providing timely, accurate, and consistent determinations on veterans' claims for disability compensation. These challenges include the growth of the disability claims workload, the increasingly complex nature of that workload, the rise in appellate processing, and the absolute need to produce accurate benefit decisions. I will also discuss some of the actions we are taking to improve claims processing and our efforts to expedite the processing of claims from Operations Iraqi and Enduring Freedom veterans.

Growth of Disability Claims Workload

The number of veterans filing initial disability compensation claims and claims for increased benefits has increased every year since FY 2000. Disability claims from returning Afghanistan and Iraq war veterans as well as from veterans of earlier periods of war increased from 578,773 in FY 2000 to 806,382 in FY 2006. For FY 2006 alone, this represents an increase of nearly 228,000 claims or 38 percent over the 2000 base year. It is expected that this high level of claims activity will continue.

The primary factors leading to the sustained high levels of claims activity are: more beneficiaries on the rolls with resulting additional claims for increased benefits; Operation Iraqi Freedom (OIF) and Operation Enduring Freedom (OEF); improved and expanded outreach to active-duty servicemembers, guard

and reserve personnel, survivors, and veterans of earlier conflicts; and implementation of Combat Related Special Compensation (CRSC) and Concurrent Disability and Retired Pay (CDRP) programs by the Department of Defense (DoD).

Ongoing hostilities in Afghanistan and Iraq are expected to continue to increase the VA compensation workload. Earlier studies by VA indicate that the most significant indicator of new claims activity is the size of the active force. Nearly 1.46 million active-duty servicemembers, members of the National Guard, and reservists have thus far been deployed in the Global War on Terrorism. Over 689,000 have returned and been discharged.

Whether deployed to foreign-duty stations or maintaining security in the United States, the authorized size of the active force and the mobilization of thousands of citizen soldiers means that the size of the total force on active duty has significantly increased. The claims rate for veterans of the Gulf War Era, which began in 1991 and includes veterans who are currently serving in Operations Iraqi Freedom and Enduring Freedom, is significant. Veterans and survivors of the Gulf War Era currently comprise the second largest population of veterans receiving benefits after Vietnam Era veterans.

The number of veterans receiving compensation has increased by almost 400,000 since 2000 – from just over 2.3 million veterans to nearly 2.7 million in 2006. This increased number of compensation recipients, many of whom suffer from chronic progressive disabilities such as diabetes, mental illness, and cardiovascular disabilities, will continue to stimulate more claims for increased benefits in the coming years as these veterans age and their conditions worsen. Reopened disability compensation claims currently comprise 54 percent of VBA's disability claims receipts.

VA is committed to increased outreach efforts to active-duty personnel. These outreach efforts result in significantly higher claims rates. Original claim receipts rose from 111,672 in FY 2000 to 217,343 in FY 2006 – a 95 percent increase. We believe this increase is directly related to our aggressive outreach programs; we believe this increasing trend will continue.

Combat-Related Special Compensation (CRSC) and Concurrent Retired and Disability Pay (CRDP) further contribute to increased claims activity for VBA. It is now potentially advantageous for the majority of our military retirees, even those with relatively minor disabilities, to file claims with VA and to receive VA disability compensation, since their waived retired pay may be restored and not be subject to waiver in the future under these new DoD programs. Today more than 54,000 military retirees receive CRSC and approximately 194,000 retirees receive CRDP. The number of military retirees receiving VA compensation has increased since the advent of these programs to over 840,000. The total number of retirees as of the end of FY 2006 was approximately two million, meaning that over 40 percent of all U.S. military retirees now receive VA benefits.

Complexity of Claims Processing Workload

The increase in claims receipts is not the only change affecting the claims processing environment. The greater number of disabilities veterans now claim, the increasing complexity of the disabilities being claimed, and changes in law and Court decisions affecting the decision process pose additional challenges to timely processing the claims workload. The trend toward increasingly complex and difficult-to-rate claims is expected to continue for the foreseeable future.

A claim becomes more complex as the number of directly claimed conditions increases because of the larger number of variables that must be considered and addressed. Multiple regulations, multiple sources of evidence, and multiple potential effective dates and presumptive periods must be considered. The effect of these factors increases proportionately and sometimes

exponentially as the number of claimed conditions increases. Additionally, as the number of claimed conditions increases, the potential for additional unclaimed but secondary, aggravated, and inferred conditions increases as well, further complicating the preparation of adequate and comprehensive Veterans Claims Assistance Act of 2000 (VCAA) notice and rating decisions. Since veterans are able to appeal decisions on specific disabilities to the Board of Veterans' Appeals (Board) and the United States Court of Appeals for Veterans Claims (CAVC), the increasing number of claimed conditions significantly increases the potential for appeal.

VA's experience since 2000 demonstrates that the trend of increasing numbers of conditions claimed is system-wide, not just at special intake locations such as Benefits Delivery at Discharge (BDD) sites. The number of cases with eight or more disabilities claimed increased from 21,814 in FY 2000 to 51,260 in FY 2006, representing a 135 percent increase over the 2000 base year and a 15 percent increase over FY 2005.

The VCAA has significantly increased both the length of time and the specific requirements of claims development. VA's notification and development duties increased as a result of VCAA, adding more steps to the claims process and lengthening the time it takes to develop and decide a claim. Since enactment, we are required to review the claims at additional points in the decision process.

Appellate and Non-Rating Workload

As VBA renders more disability decisions, a natural outcome of that process is more appeals filed by veterans and survivors who disagree with some part of the decision made on their case. Appeals of regional office decisions and remands by the Board and the CAVC following appeal are some of the most challenging types of cases because of their complexity and the growing body of evidence necessary to process these claims. In recent years, the appeal rate on

disability determinations has climbed from a historical rate prior to 2000 of approximately 7 percent of all disability decisions to the current rate of 11 percent. There are more than 130,000 appeals now pending in the regional offices and the Appeals Management Center. This number includes cases requiring processing prior to transfer of the appeal to the Board and cases remanded by the Board and the CAVC following an appeal. There are over 30,000 additional appeals pending at the Board.

Claims Processing Accuracy and Consistency

In 2001, then Secretary of Veterans Affairs Anthony J. Principi, established the VA Claims Processing Task Force to examine a wide range of issues affecting the processing of claims. A product of the Task Force Report was the Claims Processing Improvement (CPI) model. Implementation of the CPI model established a consistent organizational structure across all regional offices. Work processes were reengineered and specialized teams established to reduce the number of tasks performed by individual decision-makers, establish consistency in workflow and process, and incorporate a triage approach to incoming claims.

Implementation of this model provided a strong foundation for improving both the accuracy and consistency of our claims decisions. We also established an aggressive and comprehensive program of quality assurance and oversight to assess compliance with VBA claims processing policy and procedures and assure consistent application. As a result of these efforts, our accuracy has risen over the last four years from 81 percent to 89 percent.

We are also identifying unusual patterns of variance in claims adjudication by diagnostic code, and then reviewing selected disabilities to assess the level of decision consistency among and between regional offices. These studies are used to identify where additional guidance and training are needed to improve

consistency and accuracy, as well as to drive procedural or regulatory changes. Site surveys of regional offices also address compliance with procedures.

Training

Critical to improving claims accuracy and consistency is ensuring that our employees receive the essential guidance, materials, and tools to meet the ever-changing and increasingly complex demands of their decision-making responsibilities. To that end, VBA has deployed new training tools and centralized training programs that support accurate and consistent decision-making.

New hires receive comprehensive training and a consistent foundation in claims processing principles through a national centralized training program called “Challenge.” After the initial centralized training, employees follow a national standardized training curriculum (full lesson plans, handouts, student guides, instructor guides, and slides for classroom instruction) available to all regional offices. Standardized computer-based tools have been developed for training decision-makers (69 modules completed and an additional 8 in development). Training letters and satellite broadcasts on the proper approach to rating complex issues are provided to the field stations. In addition, a mandatory cycle of training for all Veterans Service Center employees has been developed consisting of an 80-hour annual curriculum.

Consolidation of Specialized Operations

The consolidation of specialized processing operations for certain types of claims has been implemented to provide better and more consistent decisions, and we continue to look for ways to achieve additional organizational efficiencies through further consolidation. Three Pension Maintenance Centers were established to consolidate the complex and labor-intensive work involved in ensuring the continued eligibility and appropriateness of benefit amounts for

pension recipients. We are exploring the centralization of all pension adjudications in these Centers.

In November 2001, a Tiger Team was established at the Cleveland Regional Office to adjudicate the claims of veterans age 70 and older. VBA also established an Appeals Management Center to consolidate expertise in processing remands from the Board of Veterans' Appeals. In a similar manner, a centralized Casualty Assistance Unit was established to process all in-service death claims. VBA also established two Development Centers in Phoenix and Roanoke to assist regional offices in obtaining the required evidence and preparing cases for decision, and centralized the processing of all radiation claims to the Jackson Regional Office.

The Benefits Delivery at Discharge (BDD) Program provides servicemembers with briefings on VA benefits, assistance with completing applications, and a disability examination before leaving service. The goal of this program is to deliver benefits within 60 days following discharge. VBA has consolidated the rating aspects of our BDD program, which will bring greater consistency of decisions on claims filed by newly separated veterans.

Inventory Reduction

VBA is aggressively pursuing measures to decrease the pending inventory of disability claims and shorten the time veterans must wait for decisions on their claims. Our pending inventory of rating related claims is currently about 400,000 claims, and average processing time is 177 days. However, all 400,000 claims in our inventory should not be considered as "backlog;" this number includes all claims, whether pending only a few days or a number of months. Under the very best of circumstances, it takes about four months to fully develop a claim (obtain military and private medical records, schedule necessary medical examinations and receive results, evaluate evidence, etc.). Based on our projected receipts of 800,000 claims and our timeliness performance target of 145 days, our expected

level of pending inventory with no backlog would be approximately 318,000 claims.

To balance the inventory of disability claims across regional offices, VBA implemented a “brokering” strategy in which rating cases are sent from stations with high inventories to other stations with the capacity to process additional rating work. Brokering allows the organization to address simultaneously the local and national inventory by maximizing use of available resources.

We are increasing staffing levels to reduce the pending inventory and provide the level of service expected by the American people. We began aggressively hiring additional staff in FY 2006, increasing our on-board strength by over 580 employees between January 2006 and January 2007. With a workforce that is sufficiently large and correctly balanced, VBA can successfully meet the needs of our veterans.

Our plan is to continue to accelerate hiring and fund additional training programs for new staff this fiscal year. We are recruiting now and will increase our on-board strength by an additional 400 employees by the end of June. However, because it requires an average of two to three years for our decision-makers to become fully productive, increased staffing levels do not produce immediate production improvements. Performance improvements from increased staffing are more evident in the second and third years. We have therefore also increased overtime funding this year and recruited retired claims processors to return to work as reemployed annuitants in order to increase decision output.

Priority Processing for OIF/OEF Veterans

Since the onset of the combat operations in Iraq and Afghanistan, VA has provided expedited and case-managed services for all seriously injured Operations Iraqi and Enduring Freedom (OIF/OEF) veterans and their families. This individualized service begins at the military medical facilities where the

injured servicemembers return for treatment, and continues as these servicemembers are medically separated and enter the VA medical care and benefits systems. VA assigns special benefits counselors, social workers, and case-managers to work with these servicemembers and their families throughout the transition to VA care and benefits systems, and to ensure expedited delivery of all benefits.

Last month the Secretary of Veterans Affairs announced a new initiative to provide priority processing of all OIF/OEF veterans' disability claims. This initiative covers all active duty, National Guard, and Reserve veterans who were deployed in the OIF/OEF theatres or in support of these combat operations, as identified by the Department of Defense (DoD). This will allow all the brave men and women returning from the OIF/OEF theatres who were not seriously injured in combat, but who nevertheless have a disability incurred or aggravated during their military service, to enter the VA system and begin receiving disability benefits as soon as possible after separation.

We have designated our two Development Centers in Roanoke and Phoenix and three of our Resource Centers as a special "Tiger Team" for processing OIF/OEF claims. The two Development Centers will obtain the evidence needed to properly develop the OIF/OEF claims. The three Resource Centers, located in Muskogee, San Diego, and Huntington, will rate OIF/OEF claims for regional offices with the heaviest workloads. Medical examinations needed to support OIF/OEF veterans' claims are also being expedited.

We are expanding our outreach programs for National Guard and Reserve components and our participation in OIF/OEF community events and other information dissemination activities. An OIF/OEF Team is being established at VBA Headquarters to address all OIF/OEF operational and outreach issues at the national level and to support and assist newly designated OIF/OEF Managers at each regional office. The VBA OIF/OEF Team will also direct and coordinate

national Memoranda of Understanding (MOU) with each of the Reserve Components to formalize relationships with them, mirroring the agreement between VA and the National Guard Bureau signed in 2005. Having an MOU with each Reserve Component will ensure that VA is provided service medical records and notified of “when and where” reserve members are available to be briefed during the demobilization process and at later times.

In order to ensure that VA benefits information is provided to all separating Guard and Reserve servicemembers, we will work with DoD to discuss the possibility of expanding VA’s role in DoD’s military pre-separation process. Specifically, we will assess the feasibility of providing a new “Claims Workshop” in conjunction with VA benefits briefings and Disabled Transition Assistance (DTAP) briefings. At such workshops, groups of servicemembers would be instructed on how to complete the general portions of the VA application forms. Following the general instruction segment, personal interviews would be conducted with those applying for individual VA benefits.

Expediting the claims process is critical to assisting OIF/OEF veterans in their transition from combat operations back to civilian life. VA is also continuing to focus on reducing the pending workload and improving the overall timeliness of processing for all veterans.

Mr. Chairman, this concludes my testimony. I greatly appreciate being here today and look forward to answering your questions.